# The Turkic Investment Fund

## Financial Statements
## As at and For the Year Ended 31 December 2024
## With Independent Auditor's Report Thereon

Shape the future with confidence

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Daire: 57 34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Turkic Investment Fund**

## A) Report on the Financial Statements

### 1) Opinion

We have audited the accompanying financial statements of Turkic Investment Fund ("the Company"), which comprise the statement of financial position as at December 31, 2024 and statement of profit or loss, statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year ended December 31, 2024 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 2) Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Shape the future
with confidence

**4) Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Kaan Birdal, SMMM
Partner

September 25, 2025
Istanbul, Turkey

**TABLE OF CONTENTS**


STATEMENT OF FINANCIAL POSITION ..... 1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ..... 2
STATEMENT OF CHANGES IN EQUITY ..... 3
STATEMENT OF CASH FLOWS ..... 4
NOTES TO THE FINANCIAL STATEMENTS ..... 5-24

NOTE 1 – REPORTING ENTITY ..... 5
NOTE 2 – BASIS OF ACCOUNTING ..... 5
NOTE 3 – FUNCTIONAL AND PRESENTATION CURRENCY ..... 6
NOTE 4 – BASIS OF MEASUREMENT ..... 6
NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ..... 6
NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT ..... 10
NOTE 7 – CASH IN BANKS ..... 17
NOTE 8 – TANGIBLE ASSETS ..... 18
NOTE 9 – OTHER ASSETS ..... 18
NOTE 10 – EMPLOYEE BENEFITS ..... 19
NOTE 11 – OTHER LIABILITIES ..... 20
NOTE 12 – SHARE CAPITAL ..... 20
NOTE 13 – NET INTEREST INCOME ..... 22
NOTE 14 – EXPECTED CREDIT LOSS ..... 22
NOTE 15 – OTHER INCOME ..... 22
NOTE 16 – OTHER EXPENSES ..... 23
NOTE 17 – RELATED PARTY TRANSACTIONS ..... 23
NOTE 18 – AUDIT FEE ..... 24
NOTE 19 – SUBSEQUENT EVENTS ..... 24

**THE TURKIC INVESTMENT FUND**

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

(Amounts expressed in thousands of USD unless otherwise indicated.)

| | Notes | 31 December 2024 |
|---|---|---|
| **Assets** | | |
| Cash in banks | 7 | 27,400 |
| Tangible assets | 8 | 64 |
| Intangible assets | | - |
| Other assets | 9 | 978 |
| **Total assets** | | **28,442** |
| **Liabilities** | | |
| Employee benefits | 10 | 73 |
| Other liabilities | 11 | 152 |
| **Total liabilities** | | **225** |
| **Equity** | | |
| Share capital | 12 | 30,000 |
| Net Loss | | (1,783) |
| **Total equity** | | **28,217** |
| **Total liabilities and equity** | | **28,442** |

**THE TURKIC INVESTMENT FUND**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts expressed in thousands of USD unless otherwise indicated.)

| | Notes | 31 December 2024 |
|---|---|---|
| **Profit or Loss** | | |
| **Interest income** | | |
| From banks | 13 | 200 |
| From loans | | - |
| Interest expense | | - |
| **Net interest income before impairment for credit risks** | | **200** |
| Impairment (loss)/gain for credit risks, net | 14 | (5) |
| **Net interest income after impairment for credit risks** | | **195** |
| Net finance (loss)/income | | (5) |
| Other income | 15 | 32 |
| **Total operating income** | | **222** |
| Personnel expenses | 16 | (1,466) |
| Other administrative expenses | 16 | (538) |
| Depreciation and amortization | 16 | (1) |
| Other operating expenses | | - |
| **Total operating expenses** | | **(2,005)** |
| **Net profit/(loss) for the period** | | **(1,783)** |
| **Total comprehensive income** | | **(1,783)** |

**THE TURKIC INVESTMENT FUND**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts expressed in thousands of USD unless otherwise indicated.)

| | Notes | Share Capital | Revaluation Reserves | Other Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2024** | | **-** | **-** | **-** | **-** | **-** |
| **Transactions with members of the Fund** | | | | | | |
| **Contributions and Distributions** | | | | | | |
| Increase in paid-in share capital | | 30,000 | - | - | - | 30,000 |
| **Total contributions and distributions** | | **30,000** | **-** | **-** | **-** | **30,000** |
| **Total comprehensive income** | | | | | | |
| Profit/(loss) for the period | | - | - | - | (1,783) | (1,783) |
| **Total comprehensive income** | | **-** | **-** | **-** | **(1,783)** | **(1,783)** |
| **Balance at 31 December 2024** | | **30,000** | **-** | **-** | **(1,783)** | **28,217** |

**THE TURKIC INVESTMENT FUND**

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2024

(Amounts expressed in thousands of USD unless otherwise indicated.)

| | Notes | 31 December 2024 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss for the period | | (1,783) |
| **Adjustments for:** | | |
| Depreciation and amortization | 8,16 | 1 |
| Net impairment loss/(gain) on financial assets | 14 | 5 |
| Accrued interest and income | | (21) |
| Provision for employee benefit obligations | 10 | 73 |
| Other non-cash items | | 96 |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **(1,629)** |
| **Changes in** | | |
| Utilization of provisions | | (5) |
| Cash in banks | | 21 |
| Other assets | | (978) |
| Other liabilities | | 61 |
| **Net cash from/(used in) operating activities** | | **(2,530)** |
| **Cash flows from investing activities** | | |
| Acquisition of tangible and intangible assets | 8 | (65) |
| **Net cash from/(used in) investing activities** | | **(65)** |
| **Cash flows from financing activities** | | |
| Increase in share capital | 12 | 30,000 |
| **Net cash from/(used in) financing activities** | | **30,000** |
| **Net increase/(decrease) in cash and cash equivalents** | | **27,405** |
| **Cash and cash equivalents as at 1 January** | | **-** |
| **Effects of exchange-rate changes on cash and cash equivalents** | | **(5)** |
| **Cash and cash equivalents at the end of the period** | **7** | **27,400** |

## NOTE 1 – REPORTING ENTITY

The Turkic Investment Fund ("the Fund" or "TIF") is an international financial institution established under the Agreement Establishing the Turkic Investment Fund ("Establishment Agreement") that was signed at the Extraordinary Summit of the Organization of Turkic States ("OTS") in Ankara on March 16, 2023, and came into force in February 24, 2024 with the mission to facilitate regional trade, investment, and entrepreneurship across various sectors, enhance regional connectivity, and contribute to a green economy to achieve value-added impact in the Turkic world.

The Establishment Agreement of the Fund was initially signed by five founding member states: the Republic of Azerbaijan, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Türkiye, and the Republic of Uzbekistan. Subsequently, pursuant to the decision of the Board of Governors (Resolution No. TIF/BoG2024/02 dated 18 November 2024), Hungary was given accession as a member and subscribed to the Fund's share capital.

The status, privileges and immunities of the Fund and persons connected therewith in the Republic of Türkiye are defined in the Host Country Agreement between the Government of the Republic of Türkiye and the Fund ("the Host Country Agreement") signed on May 18, 2024. The Host Country Agreement came into force in November 11, 2024.

The headquarters address of the Fund is "Huzur Mahallesi, Azerbaycan Caddesi, Skyland B kapı No:4 Daire No:67-72, Sarıyer, İstanbul, Türkiye".

As of December 31, 2024, the number of employees of the Fund is 17.

## NOTE 2 – BASIS OF ACCOUNTING

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). On a proposal from the Executive Management, the Board of Directors endorsed the financial statements for the year ended December 31, 2024, on September 25, 2025, and authorised their submission to the Board of Governors for approval.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

### NOTE 2.1 - The new standards, amendments and interpretations

Since these are the Fund's inaugural financial statements, no prior-year comparatives are available. Accounting policies have been applied in accordance with IFRS as effective for the year ended December 31, 2024.

## NOTE 3 – FUNCTIONAL AND PRESENTATION CURRENCY

The Fund's "functional currency" is USD, and all transactions are recorded in USD. The Fund's "presentation currency" is also USD.

## NOTE 4 – BASIS OF MEASUREMENT

As the Fund does not hold any derivative financial instruments, the financial statements have been prepared using the historical cost basis.

## NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Since these are the Fund's inaugural financial statements, no accounting policies have been previously adopted, and accordingly, there are no changes in accounting policies to report in the preparation of the financial statements as of December 31, 2024.

### 5.1. Foreign currency

Foreign currency transactions are translated into the functional currency using the indicative exchange rates at the dates of the transactions announced by Central Bank of the Republic of Türkiye.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency with the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the cost in the functional currency at the beginning of the period, and payments during the period, and the cost in the foreign currency translated with the exchange rate at the end of the period.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on the settlement of such transactions and translation are recognized in "Net trading (loss)/income" in the statement of profit or loss and other comprehensive income.

Exchange rates used by the Fund at the reporting dates are as follows:

| | | 31 December 2024 |
|---|---|---|
| 1 Turkish Lira | USD | 0.0284 |

## NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.2. Interest

**Effective interest rate**

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or

- the amortised cost of the financial liability.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired financial assets, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. For purchased or originated credit-impaired ("POCI") financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

**Amortised cost and gross carrying amount**

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5.2. Interest (Continued)**

**Calculation of interest income and expense**

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**Presentation**

Interest income and interest expense calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes only interest on financial assets and financial liabilities measured at amortised cost.

**5.3. Taxation**

According to Article 12 of the “Host Country Agreement”, within the scope of its official activities the Fund, its property and assets, movable and immovable, or income of whatever nature such as interests, capital gains, currency gains, profits as well as its operations and transactions, purchase of goods and services shall be exempt:

a) from all present and future, direct and indirect taxation and duties, including but not limited to Value Added Tax (VAT), income tax, property tax, corporate tax, motor vehicles tax, special consumption tax (only related to purchases of goods by the Fund from special consumption tax taxpayers), special communication tax, withholding tax, stamp duties, be it of a local or governmental nature. Referring to the aforesaid provisions, the Fund shall also be exempt from any obligation for the payment, withholding or collection of any tax.

b) from all customs duties and additional financial obligations, and other levies including VAT and special consumption tax (only related to purchases of goods by the Fund from special consumption tax taxpayers) or direct importations of goods made by the Fund on imports and exports in respect of articles including its publications, imported or exported by the Fund for its official use, except the charges for storing, customs clearance of goods outside the places specified for this purpose and the fees to be paid to the customs employees for possible overtime work.

**NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### 5.4. Cash in banks

"Cash in banks" includes cash and balances with banks repayable on demand and money market placements with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

"Cash in banks" in the statement of financial position are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method (Note 7).

### 5.5. Advances

"Advances" in the statement of financial position are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method (Note 9).

### 5.6. Tangible and intangible assets

#### 5.6.1. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Fund. Ongoing repairs and maintenance are expensed as incurred. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. The estimated useful lives of significant items of property and equipment are as follows:

| | **Useful lives** |
|---|---|
| Equipment | 4 years |
| Computer technology | 4 years |

## NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.7. Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

### 5.8. Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Fund has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 5.9. End-of-service indemnity

The Fund recognizes a provision for end-of-service indemnity in accordance with the terms of employment contracts. Employees are required to serve a minimum period of two years in order to qualify for this benefit. The indemnity is calculated at the rate of one month's basic salary for each completed year of service and is payable to employees upon termination of employment (Note 10.2.).

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT

This section provides details of the Fund's exposure to risk and describes the methods used to manage those risks. The most important types of risk to which the Fund is exposed are credit risk, liquidity risk, market risk, and operational risk.

### 6.1. Risk management framework

The Fund is committed to actively identify and manage all risks inherent in its activities in order to support its sustainable profitability objective and safeguard its capital base. The Fund pays particular attention to managing credit risk in the course of its core activities and treasury operations, liquidity risk, market risk as well as compliance and operational risk in its organisation and activities.

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT (Continued)

### 6.2. Management of credit risk

The Fund's primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of these assets on the statement of financial position. In view of the Fund's philosophy of prudent lending, the function of credit risk management is a critical fulcrum of the Fund's long-term vision and success. Credit analysis is conducted by using various information sources and applying qualitative and quantitative methodologies.

The Fund reviews lending operations and manages the main areas of credit risk which are inherent to the lending activities in order to ensure that decisions are made in line with the Fund's strategy and that loan applications are prudently reviewed. Lending decisions are made to clients by following the guidelines laid down in various policies and through coordination with other business units to ensure that the loans are made in line with the Fund's overall risk appetite and strategy. All credit applications are evaluated and approved by the Board of Directors.

In addition to Risk Management function, the Fund's Management also provides oversight and direction to the activities of risk management to ensure that the Fund's risk profile is in line with its strategy and operating environment, in a manner which ensures protection to the shareholders.

### 6.2.1. Concentration of credit risks

The Fund will monitor concentration of credit risk by individual obligor, by Member State, and by sector, in order to ensure that exposures remain within prudent limits and aligned with the Fund's risk appetite framework. Concentration analyses are normally disclosed by geographic location and by sector. However, as the Fund had not yet commenced its financing operations as of the reporting date, no credit exposures had been originated and therefore no concentrations of credit risk are presented in these financial statements.

### 6.3. Liquidity risk

Liquidity risk is defined as the risk that the Fund may encounter difficulty in meeting its financial obligations when they fall due, whether under normal conditions or during periods of stress. It arises from mismatches in the timing of expected inflows and outflows, funding liquidity constraints, and the potential inability to liquidate assets at reasonable prices during adverse market conditions. Effective management of liquidity risk is a cornerstone of the Fund's financial stability, as it ensures that the Fund is able to meet its mandate without incurring unacceptable losses or impairing its reputation.

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT (Continued)

### 6.3. Liquidity risk (Continued)

#### 6.3.1. Management liquidity risk

The management of liquidity risk within the Fund is governed by the Liquidity Adequacy Assessment Policy (LAAP) and overseen by the Risk Management Department under the accountability of the General Director. Day-to-day liquidity management is carried out by the Treasury function, which ensures that sufficient high-quality liquid assets are maintained to cover near-term obligations. The Fund's liquidity adequacy framework requires monitoring of funding liquidity, market liquidity, and refinancing risk across monthly and a twelve-month forward-looking horizon. Liquidity is managed prudently through the maintenance of a liquidity buffer composed of readily marketable, high-quality liquid assets, and through active monitoring of projected cash inflows and outflows.

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT (Continued)

### 6.3.1. Management liquidity risk (Continued)

The Fund's assets and liabilities are spread across different maturity intervals as shown in the table below:

| | Up To 1 Month | 1 to 3 Months | 3 Months to 1 Year | Over 1 Year | Unallocated | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash in banks | | | | | | |
| Deposits | 13,586 | 13,699 | - | - | - | 27,285 |
| Demands | 115 | - | - | - | - | 115 |
| Tangible assets | - | - | - | - | 64 | 64 |
| Intangible assets | - | - | - | - | - | - |
| Other assets | | | | | | |
| Prepaid expenses | 45 | 88 | 375 | 387 | - | 895 |
| Deposits | - | - | - | 65 | - | 65 |
| VAT receivable | - | - | 12 | - | - | 12 |
| Other | 6 | - | - | - | - | 6 |
| **Total assets** | **13,752** | **13,787** | **387** | **452** | **64** | **28,442** |
| **Liabilities** | | | | | | |
| Employee benefits | - | - | 42 | - | 31 | 73 |
| Other liabilities | | | | | | |
| Payables | 1 | 46 | - | - | - | 47 |
| Social Security liabilities | 15 | - | - | - | - | 15 |
| Other | 14 | 6 | 70 | - | - | 90 |
| **Total liabilities** | **30** | **52** | **112** | **-** | **31** | **225** |

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT (Continued)

### 6.4. Currency risk

Currency risk is defined as the potential impact of adverse movements in exchange rates on the Fund's financial position and cash flows. As the functional and reporting currency of the Fund is the USD, all assets, liabilities, income, and expenses are ultimately reported in USD, exposing the Fund to translation effects whenever its exposures are denominated in other currencies.

The Fund maintains a prudent approach to foreign exchange risk in line with its Risk Appetite Statement. The Fund does not assume material open currency positions for profit-taking purposes and seeks to ensure that currency exposures remain within strict thresholds tied to its capital base. The foreign exchange capital requirement, determined under the Fund's capital adequacy methodology, is governed by a defined risk tolerance framework. An internal monitoring threshold serves as an early warning level, where any breach necessitates escalation to the Audit and Risk Management Committee. Should the requirement exceed the upper boundary established by the Fund, immediate escalation to the Board of Directors is triggered.

Currency risk exposures are measured and monitored by the Treasury function, with independent oversight provided by the Risk Management Department. Monitoring results are consolidated into periodic reports: regularly to the Executive Management, quarterly to the Audit and Risk Management Committee, and semi-annually to the Board of Directors. In the event of a breach of limits, corrective action is initiated promptly, and post-incident reviews are carried out to strengthen controls.

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT (Continued)

### 6.4. Currency risk (Continued)

The concentrations of assets and liabilities in various currencies are:

**(Amounts expressed in thousands of USD)**

| | USD | TRY | Total |
|---|---|---|---|
| **Assets** | | | |
| Cash in banks | 27,396 | 4 | 27,400 |
| Tangible assets | 64 | - | 64 |
| Intangible assets | - | - | - |
| Other assets | | | |
| Prepaid expenses | 895 | - | 895 |
| Deposits | - | 65 | 65 |
| VAT receivable | - | 12 | 12 |
| Other | 6 | - | 6 |
| **Total assets** | **28,361** | **81** | **28,442** |
| **Liabilities** | | | |
| Employee benefits | 73 | - | 73 |
| Other liabilities | | | |
| Payables | 32 | 15 | 47 |
| Social Security Liabilities | - | 15 | 15 |
| Other provisions | 78 | 12 | 90 |
| **Total liabilities** | **183** | **42** | **225** |

### 6.5. Interest rate risk

Interest rate risk is defined as the potential loss in earnings or economic value resulting from adverse movements in market interest rates. The Fund is exposed to interest rate risk to the extent that interest-earning assets and interest-bearing liabilities reprice or mature at different times or in different amounts.

The Fund measures interest rate risk in the banking book through the sensitivity of its Economic Value of Equity (EVE) to parallel shifts in the interest rate curve, in line with the Risk Appetite Statement and the Capital Adequacy Assessment Policy. The Fund's risk appetite requires that potential changes in Economic Value of Equity (EVE) under stress scenarios remain within acceptable tolerance levels. An internal monitoring threshold has been established to serve as an early warning indicator, and any breach of this level is reported to the Audit and Risk Management Committee. Exceeding the defined upper boundary constitutes a limit breach and requires immediate escalation to the Board of Directors.

## NOTE 6 – FINANCIAL RISK REVIEW AND MANAGEMENT (Continued)

### 6.5. Interest rate risk (Continued)

Monitoring and reporting of interest rate risk are performed by the Risk Management Department and reviewed by the governing bodies of the Fund in accordance with the reporting cycle established under the risk governance framework.

As of the reporting date, the Fund had not yet commenced its financing operations and therefore no interest rate risk exposures were recognized in the financial statements.

### 6.6. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. It is inherent in all the Fund's activities, including financing, treasury, and support functions.

The Fund manages operational risk through its Operational Risk Management Policy, which applies to the three-lines-of-defense model. Business units are responsible for day-to-day risk management, the Risk Management and Compliance Departments provide independent oversight, and Internal Audit ensures independent assurance to the Board of Directors. The framework promotes a strong risk culture, systematic risk identification, use of key risk indicators, and business continuity arrangements.

In line with the Capital Adequacy Assessment Policy, operational risk capital requirements are measured using the Standardized Measurement Approach, with conservative calibration during the Fund's early stage of operations. The Risk Appetite Statement expresses a low tolerance for operational risk, focusing on safeguarding institutional integrity, business continuity, and reputation.

As of the reporting date, the Fund had not commenced its financing operations, and no operational risk losses or capital charges were recorded.

### 6.7. Capital management

According to Article 17 of the Establishment Agreement, at least ten (10) per cent of the annual net income of the Fund shall be allocated to the general reserves until the general reserve attains twenty-five (25) per cent of the subscribed capital of the Fund. The Board of Governors may decide to allocate a supplementary amount to form an additional reserve or distribute to Members, provided that no part of the net income of the Fund shall be distributed to Members by way of profit until the General Reserves of the Fund shall have attained the level of twenty-five (25) per cent of the subscribed capital.

## NOTE 7– CASH IN BANKS

"Cash in banks" includes cash and balances with banks repayable on demand and money market placements with original maturities of less than three months. As of December 31, 2024, "Cash in banks" includes three deposit accounts totalling USD 13,569 with the weighted average annual rate of 3% and a repo amounting to USD 13,700 with the weighted average annual rate of 4%. The following table shows the cash and cash equivalents included in the accompanying statement of cash flows.

| | **31 December 2024** |
|---|---|
| Time deposit | |
| (with original maturity less than three months) | 27,269 |
| Demand deposit | 115 |
| Interest accrual | 21 |
| Less: Allowance for ECL | (5) |
| **Total** | **27,400** |

## NOTE 8 – TANGIBLE ASSETS

| | 31 December 2024 | Total |
|---|---|---|
| Cost | 65 | 65 |
| Less: Accumulated depreciation | (1) | (1) |
| **Net book value** | **64** | **64** |

Movements in tangible assets are as follows:

| | Property and equipment | Total |
|---|---|---|
| **31 December 2024** | | |
| Net book value at 1 January | - | - |
| Additions | 65 | 65 |
| Depreciation | (1) | (1) |
| **Net book value at period end** | **64** | **64** |

Property and Equipment include net amount of variety of office technology and devices, such as computers, monitors, printers and other essential office equipment.

## NOTE 9 – OTHER ASSETS

| | 31 December 2024 |
|---|---|
| **Short-term assets** | |
| Prepaid expenses | 508 |
| VAT receivable | 12 |
| Other | 6 |
| **Long-term assets** | |
| Prepaid expenses | 387 |
| Deposits | 65 |
| **Net book value** | **978** |

Other assets are divided into short-term and long-term assets. Other short-term assets mostly consist of prepaid expense for Headquarter rent and prepaid expense of private health insurance for employees. VAT receivables are taxes paid during the procurement of tangible assets that will be claimed from Tax Authorities.

Other long-term assets consist of deposits given and prepaid expenses for Headquarter rent.

## NOTE 10 – EMPLOYEE BENEFITS

| | 31 December 2024 |
|---|---|
| Annual leave provision | 42 |
| End-of-service indemnity provision | 31 |
| **Total** | **73** |

### 10.1. Annual leave provision

The Fund's liability is the sum of the monetary values of each employee's annual leave entitlement which is calculated based on the monthly base salaries. Movements in the annual leave pay liability are as follows:

| | 31 December 2024 |
|---|---|
| Balance at the beginning of period | - |
| Provision for the period, (net) | 42 |
| **Balance at period end** | **42** |

### 10.2. End-of-service indemnity provision

In accordance with the Staff Regulations of TIF, the Fund's liability for end-of-service benefits represents the aggregate of the monetary entitlements of all employees expected to serve more than two years, measured based on their monthly basic salaries. In measuring the provision for end-of-service indemnities, the discount rate applied is 6.53:

| | 31 December 2024 |
|---|---|
| Total indemnity at retirement | 373 |
| PV of total future benefit | 251 |
| PV of future benefit as of 31.12.2024 | 31 |

The movements in the end-of-service liability during the year are presented below:

| | 31 December 2024 |
|---|---|
| Balance at the beginning of period | - |
| Provision for the period, (net) | 31 |
| **Balance at period end** | **31** |

## NOTE 11 – OTHER LIABILITIES

| | 31 December 2024 |
|---|---|
| **Provisions**[1] | |
| Development of the brand book of TIF | 34 |
| Preparation of the organizational chart of TIF | 22 |
| Per diem for BoD meetings in 2024 | 12 |
| Rent for the prior office | 8 |
| Other consulting fee | 6 |
| Other provisions | 8 |
| **Payables**[2] | 47 |
| **Other**[3] | 15 |
| **Total** | **152** |

(1) Provisions relating to the year 2024, which are expected to be settled in 2025.
(2) Payables mainly consist of outstanding invoices for services provided from third parties.
(3) Social Security Institution Contribution accrued as of the end of December 2024 has been booked under other liabilities and provisions.

## NOTE 12 – SHARE CAPITAL

| | 31 December 2024 |
|---|---|
| Authorized share capital | 600,000 |
| Less: unallocated share capital | - |
| **Subscribed share capital** | **600,000** |
| Less: callable and payable share capital | (570,000) |
| **Paid-in share capital** | **30,000** |

## NOTE 12 – SHARE CAPITAL (Continued)

The following table shows the number of shares, the amount subscribed by each member, including their respective callable and payable as well as the amount paid-in:

| | Shares | Subscribed | Callable | Payable | Paid-in |
|---|---|---|---|---|---|
| The Republic of Azerbaijan | 2,000 | 100,000 | 30,000 | 65,000 | 5,000 |
| Hungary | 2,000 | 100,000 | 30,000 | 65,000 | 5,000 |
| The Republic of Kazakhstan | 2,000 | 100,000 | 30,000 | 65,000 | 5,000 |
| The Kyrgyz Republic | 2,000 | 100,000 | 30,000 | 65,000 | 5,000 |
| The Republic of Türkiye | 2,000 | 100,000 | 30,000 | 65,000 | 5,000 |
| The Republic of Uzbekistan | 2,000 | 100,000 | 30,000 | 65,000 | 5,000 |
| **Total** | **12,000** | **600,000** | **180,000** | **390,000** | **30,000** |

The Establishment Agreement of the Fund was initially signed by five founding member states: the Republic of Azerbaijan, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Türkiye, and the Republic of Uzbekistan. Subsequently, pursuant to the decision of the Board of Governors (Resolution No. TIF/BoG2024/02 dated 18 November 2024), Hungary was given accession as a member and subscribed to the Fund's share capital.

Each member state has authorized capital stock of two thousand (2,000) shares with a nominal value of fifty thousand dollars (USD 50,000) each. The authorized capital stock is divided into paid-in shares and callable shares. Shares having an aggregate par value of four hundred and twenty million dollars (USD 420,000,000) is paid-in shares, and shares having an aggregate par value of one hundred and eighty million dollars (USD 180,000,000) are callable shares. Each member state pays the initial payment related to its paid-in shares in the amount of five million dollars (USD 5,000,000). The remaining subscription amount shall be payable in three annual instalments (1-USD 18,000,000; 2-USD 23,000,000; 3-USD 24,000,000) on each subsequent anniversary of the date of the initial payment in accordance with Establishment Agreement.

## NOTE 13 – NET INTEREST INCOME

TIF generated returns of interest income of USD 200 on time deposits and repos of idle cash held from capital contributions. Interest rates range between 1.55%-4.0% for the time deposits for the period ending December 31, 2024. Below are the details of the active deposits and repos as of December 31, 2024:

| Deposit Date | Balance | Rate | Total Interest income as of Dec 31, 2024 |
|---|---|---|---|
| 12-Dec-24 | 5,000 | 3.00% | 8 |
| 16-Dec-24 | 3,805 | 3.00% | 5 |
| 17-Dec-24 | 4,764 | 3.00% | 6 |
| 31-Dec-24 | 13,700 | 4.00% | 2 |
| | **27,269** | | **21** |

The weighted average annual rate applied to the deposits and repos within the year is 2.32%.

## NOTE 14 – EXPECTED CREDIT LOSS

Expected Credit Loss for deposits was calculated using a Probability of Default of 0.05% and a Loss Given Default of 40%. These assumptions were informed by parameters referenced in the Basel III Framework, specifically CRE32.2 – Risk Components for Corporate, Sovereign, and Bank Exposures, serving as a benchmark for risk estimation. Given the historically low incidence of defaults within this portfolio, it was classified as a Low Default Portfolio for the purposes of credit risk assessment under IFRS 9.

## NOTE 15 – OTHER INCOME

| | 31 December 2024 |
|---|---|
| Incentives from the payments to Social Security Institution | 4 |
| Discounts on meal cards | 1 |
| Other income[(1)] | 27 |
| **Total** | **32** |

(1) Other income consists of services of which the settlements have been made before the official commencements of operations through the voluntary payments of member states.

## NOTE 16 – OTHER EXPENSES

| | 31 December 2024 |
|---|---|
| **Personnel expenses** | |
| Salaries[1] | 978 |
| Allowances/Benefits[2] | 388 |
| Annual leave[3] | 42 |
| End-of-service indemnity[4] | 31 |
| Health insurance | 27 |
| **Total personnel expenses** | **1,466** |
| **Other administrative expenses** | |
| Travel and representation | 199 |
| Advisory expenses | 149 |
| Office rent | 121 |
| Transportation related expenses | 27 |
| Other | 42 |
| **Total other administrative expenses** | **538** |
| **Depreciation** | 1 |
| **Other operating expenses** | - |
| **Total operating expenses** | **2,005** |

(1) This includes net salaries of the staff as well as contributions to Social Security Institution.
(2) Other allowances paid to employees such as rent, school, meal, transportation, etc.
(3) This amount includes provision for unused annual leave pay of the staff.
(4) This amount includes end-of-service indemnity provision.

## NOTE 17 – RELATED PARTY TRANSACTIONS

For the purpose of this report, the Fund's Officers are referred to as related parties. The Fund's Officers are comprised of the President and the General Director. They are entitled to a staff compensation package that includes salary, medical insurance, and other short-term allowances and benefits.

## NOTE 17 – RELATED PARTY TRANSACTIONS (Continued)

The total remuneration paid to the Officers amounts to USD 838, including for the services before the inaugural date of the Fund. This comprises net salary and social security institution contribution of USD 650 and other benefits and allowances of USD 188. The Officers do not receive post-employment benefits like termination benefits, any share-based payments or other long-term benefits, except end-of-service indemnity payment like other staff members.

The members of the Board of Directors are not personnel of the Fund and do not receive any fixed term salaries nor any staff benefits.

## NOTE 18 – AUDIT FEE

The independent audit fee paid for the audit of the financial statements is determined under the Audit Agreement dated July 28, 2025.

| | 31 December 2024 |
|---|---|
| Audit fee | 18 |

## NOTE 19 – SUBSEQUENT EVENTS

None.